



**FEDERAL PUBLIC SERVICE COMMISSION**  
**COMPETITIVE EXAMINATION – 2025**  
**FOR RECRUITMENT TO POSTS IN BS-17**  
**UNDER THE FEDERAL GOVERNMENT**

Roll Number

**Accounting and Auditing Past Paper-I**

<b>TIME ALLOWED: THREE HOURS</b>	<b>PART-I (MCQS)</b>	<b>MAXIMUM MARKS = 20</b>
<b>PART-I(MCQS): MAXIMUM 30 MINUTES</b>	<b>PART-II</b>	<b>MAXIMUM MARKS = 80</b>
<b>NOTE:</b> (i) First attempted <b>Part-I (MCQS)</b> on the separate <b>OMR Answer Book</b> which shall be taken back after 30 minutes. (ii) <b>Overwriting/cutting</b> of the <b>options/answers</b> will not be given credit. (iii) There is no negative marking. All <b>MCQs</b> must be attempted.		

**PART- I (MCQs)(COMPLUSORY)**

- Q.1. (i)** Select the best option/answer and fill in the appropriate Box on the **OMR Answer Sheet. (20x1=20)**  
**(ii)** Answers given anywhere else, other than OMR Answer Sheet, will not be considered.

**1. In financial accounting, goodwill is classified as:**

- (A) Tangible asset
- (B) Intangible asset
- (C) Current liability
- (D) Contra asset

**2. Which of the following statement about the accounting cycle is TRUE?**

- (A) The cycle begins with financial statement preparation.
- (B) Adjusting entries are optional.
- (C) Closing entries transfer balances from temporary accounts to retained earnings.
- (D) The post-closing trial balance includes temporary accounts.

**3. The purpose of reversing entries is:**

- (A) To correct errors in the trial balance
- (B) To simplify recording certain transactions in the next period
- (C) To adjust financial statements
- (D) To close permanent accounts

**4. Accounting information is said to be relevant when it:**

- (A) Is free from material error.
- (B) Influences the decision-making of users.
- (C) Can be compared across entities.
- (D) Is supported by evidence from independent sources.

**5. The predictive value of accounting information refers to its ability to:**

- (A) Validate past decisions.
- (B) Highlight errors in accounting practices

- (C) Influence future investment decisions.
- (D) Support regulatory compliance.

**6. If two companies in the same industry use different depreciation methods, the comparability of their financial information may be compromised unless:**

- (A) The companies belong to the same regulatory framework
- (B) They operate in similar markets.
- (C) The companies use IFRS standards.
- (D) Full disclosure of the methods is provided

**7. Which financial statement in a sole proprietorship reflects the owner's withdrawals for personal use?**

- (A) Income Statement
- (B) Statement of Financial Position
- (C) Statement of Cash Flows
- (D) Statement of Owner's Equity

**8. When a corporation issues shares above their par value, the excess amount is credited to:**

- (A) Retained Earnings
- (B) Share Premium Account
- (C) Capital Account
- (D) Revenue Account

**9. A partnership decides to incorporate into a private company. What happens to the partners' equity accounts?**

- (A) They are closed and converted into common stock.
- (B) They are retained in the company's balance sheet.
- (C) They are written off as expenses.
- (D) They are transferred into the retained earnings account.

**10. Which of the following is a financial statement prepared specifically by not-for-profit organizations?**

- (A) Statement of Comprehensive Income
- (B) Statement of Profit and Loss
- (C) Receipts and Payments Account
- (D) Statement of Changes in Equity

**11. Which financial statement is unique to public sector accounting?**

- (A) Statement of Financial Performance
- (B) Statement of Cash Flows
- (C) Appropriation Account
- (D) Statement of Changes in Equity

**12. A not-for-profit organization's annual report emphasizes the use of funds to achieve its mission rather than profitability. This highlights:**

- (A) Faithful representation in financial reporting.
- (B) The focus on accountability over profitability.
- (C) Compliance with government regulations.
- (D) The reliance on accrual accounting.

**13. Which costing method is most suitable for industries where products are unique and produced to customer specifications?**

- (A) Process costing
- (B) Activity-based costing

- (C) Job order costing
- (D) Marginal costing

**14. Marginal costing is primarily used for:**

- (A) Financial reporting.
- (B) Decision-making related to fixed costs.
- (C) Short-term decision-making.
- (D) Preparing budgets for external stakeholders.

**15. Over-applied overhead means:**

- (A) Actual overheads are less than applied overheads.
- (B) Actual overheads are greater than applied overheads.
- (C) Fixed costs were not allocated properly.
- (D) Direct labor costs were overstated.

**16. A manufacturing company is considering whether to produce in-house or outsource production. Relevant costs for this decision include:**

- (A) Fixed costs of the company.
- (B) Historical costs of production.
- (C) Direct variable costs and outsourcing costs.
- (D) Total costs incurred in the prior year.

**Required:**

- i. Using the data provided, prepare an **unadjusted trial balance** as of December 31, 2024. (5)
- ii. Distribute the **Net Income of PKR 120,000** among the partners (Ali, Bilal, and Sara) based on their agreed profit-sharing ratio of **3:2:1**. (5)
- iii. Calculate the **adjusted capital balances** for each partner after considering their profit ratio. (5)
- iv. Prepare the **Capital Accounts** for Ali, Bilal, and Sara in a **T-account format** or in a statement form. (5) (20)

**PART-II**

**Q. 6. ABC Manufacturing produces custom furniture. Below are the details for the month of**

**November 2024:**

Accounting Activities/Items	Amounts in PKR
<b>Beginning Balances:</b>	
Raw Materials Inventory (Nov 1, 2024):	120,000
Work-in-Process (WIP) Inventory (Nov 1, 2024):	80,000
Finished Goods Inventory (Nov 1, 2024):	150,000
<b>Transactions During November:</b>	
Raw materials purchased during November (paid in cash)	350,000
Direct materials issued to production:	280,000
Indirect materials issued:	50,000

Total direct labor incurred: (80% paid in cash; 20% accrued).	200,000
Total indirect labor incurred (paid in cash):	60,000
Total factory overhead incurred including: ✓ Depreciation on machinery: PKR 70,000 ✓ Utilities: PKR 50,000 ✓ Other factory expenses: PKR 130,000	250,000
<b>Manufacturing overhead applied to production at 120% of direct labor cost.</b>	
<b>Ending Balances</b>	
Raw Materials Inventory (Nov 30, 2024):	140,000
Work-in-Process (WIP) Inventory (Nov 30, 2024):	100,000
Finished Goods Inventory (Nov 30, 2024):	180,000
Sales	650,000
Total finished goods transferred to Cost of Goods Sold:	
Total sales for November (80% received in cash, 20% on account).	800,000

**Required:**

- Prepare the Raw Materials Inventory T-account, including purchases, usage, and ending balance. (7)
- Calculate the total manufacturing costs added to production during November. (7)
- Prepare the Work-in-Process Inventory T-account, including beginning balance, costs added, and ending balance. (6) (20)

**Q. 6. XYZ Furniture Ltd. manufactures wooden chairs. The following standard costs were established for producing one chair:**

Cost Component	Standard Rate	Standard Quantity per Chair
Direct Materials	PKR 500 per unit	2 units
Direct Labor	PKR 300 per hour	4 hours
Factory Overhead	PKR 100 per direct labor hour	Applied at a rate of 50% of direct labor cost

During **November 2024**, the company produced **1,000 chairs**, and the following actual data was recorded:

- Materials:**
  - 2,100 units of direct materials were purchased and used.
  - Total cost of materials: PKR 1,120,000.
- Labor:**
  - 3,800 hours of direct labor were worked.
  - Total labor cost: PKR 1,160,000.
- Factory Overhead:**
  - Actual overhead incurred: PKR 200,000.
  - Overhead applied at the standard rate based on actual direct labor hours.

### Required:

Calculate and interpret the results of:

- i. the **Material Price Variance and the Material Quantity Variance.** (7)
- ii. the **Labor Rate Variance and the Labor Efficiency Variance.** (7)
- iii. the **Overhead Spending Variance and the Overhead Efficiency Variance.** 6 (20)

**Q. 8.** ABC Café operates a specialty coffee shop that sells handcrafted beverages and desserts. The café incurs a Total Fixed Costs: PKR 1,000,000 including monthly rent of PKR 500,000, salaries of PKR 300,000, Utilities and Miscellaneous Expenses of PKR 200,000. The owner wants to determine its break-even point to plan for future growth. The following data is provided:

#### Product Line Information

<b>1. Coffee Drinks (Regular)</b> <ul style="list-style-type: none"><li>i. Selling Price: PKR 400 per cup</li><li>ii. Variable Cost: PKR 180 per cup</li><li>iii. Current Sales Mix: 70%</li></ul>	<b>2. Desserts (Premium)</b> <ul style="list-style-type: none"><li>i. Selling Price: PKR 600 per item</li><li>ii. Variable Cost: PKR 280 per item</li><li>iii. Current Sales Mix: 30%</li></ul>
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### Required:

- i. Calculate the **contribution margin** for both coffee drinks and desserts. (7)
- ii. Compute the **weighted average contribution margin (WACM)** based on the sales mix. (7)
- ii. Determine the **break-even sales in units** for the café. 6 (20)